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Financial Analysis of a Group of Petroleum Companies

1979

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Financial Analysis of a Group of Petroleum Companies

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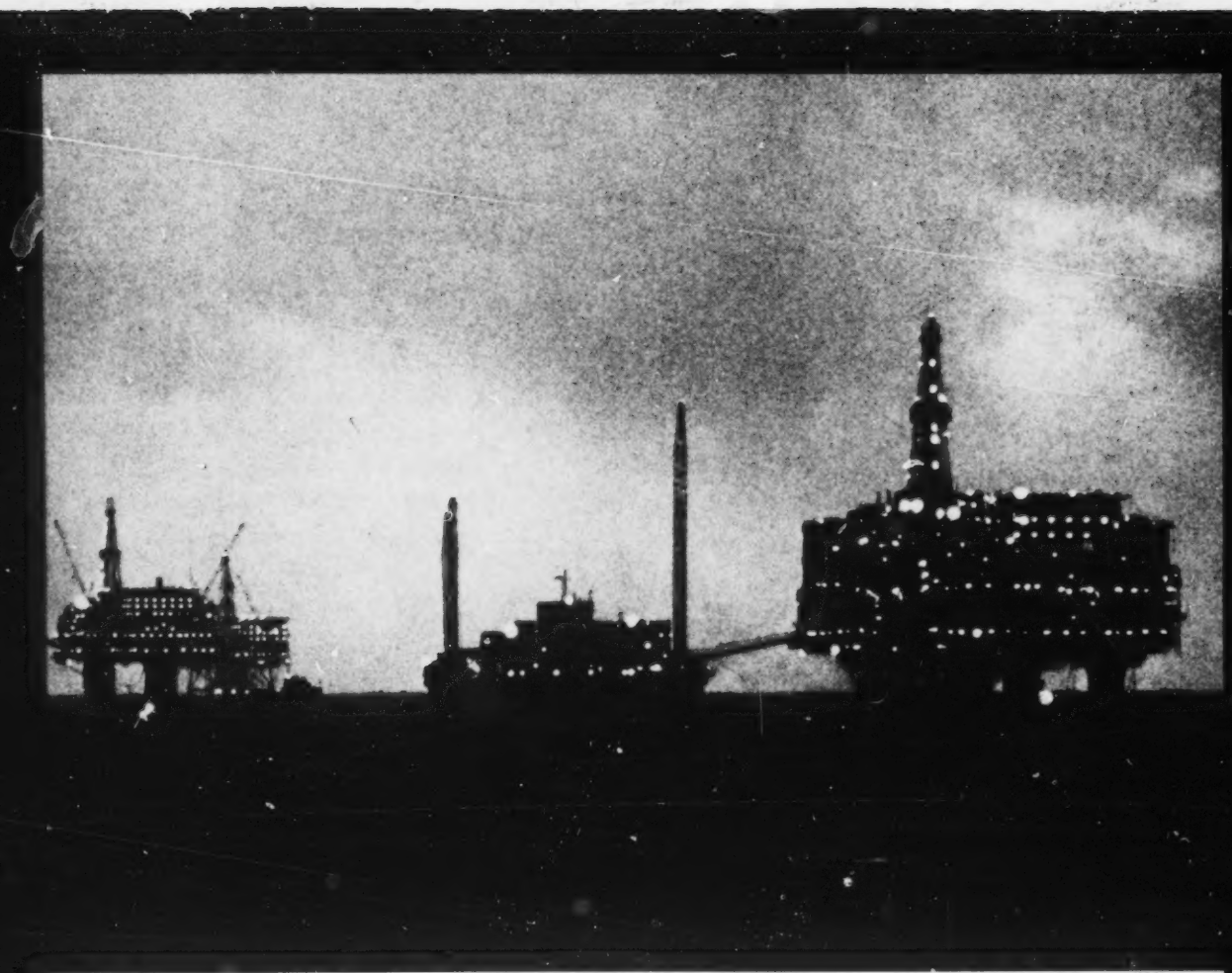
Energy Economics, December 1980

Companies Included in Study

Amerada Hess Corporation
Ashland Oil, Inc.
Atlantic Richfield Company
The British Petroleum Company Limited
Champlin Petroleum Company
Cities Service Company
Clark Oil & Refining Corporation
Compagnie Francaise des Petroles
Conoco, Inc.
Exxon Corporation
Getty Oil Company
Gulf Oil Corporation
The Louisiana Land and Exploration Company
Marathon Oil Company
Mobil Oil Corporation
Murphy Oil Corporation
Petrofina Societe Anonyme
Phillips Petroleum Company
Royal Dutch/Shell Group of Companies
Standard Oil Company of California
Standard Oil Company (Indiana)
Sun Company, Inc.
The Superior Oil Company
Texaco Inc.
Tosco Corporation
Union Oil Company of California

This study is based on data secured from annual reports to stockholders and to the Securities and Exchange Commission and on information developed from other sources. Energy Economics of The Chase Manhattan Bank wishes to thank the companies and individuals who have cooperated in supplying special information and material used in this survey.

Additional copies may be obtained from:
Energy Economics
The Chase Manhattan Bank, N.A.
1 Chase Manhattan Plaza, New York, N.Y. 10081



Foreword

For many years The Chase Manhattan Bank has conducted a detailed study of the financial performance of a large number of petroleum companies. Because the combined operations of these companies constitute a major proportion of the worldwide activities of the petroleum industry, their combined financial performance provides a valuable basis for determining the probable experience of the over-all industry.

As a service to the petroleum industry, and all others with a related interest, the Bank has published annually since 1945 the summarized results of this study.

The companies included in this study are the 26 organizations listed on the adjoining page. Throughout the report they are referred to collectively as the "Group." Over the years the number of companies comprising the Group has changed as a result of additions or mergers. Data for earlier years have been adjusted to reflect major additions and thereby permit valid comparisons of current developments with those of the past.

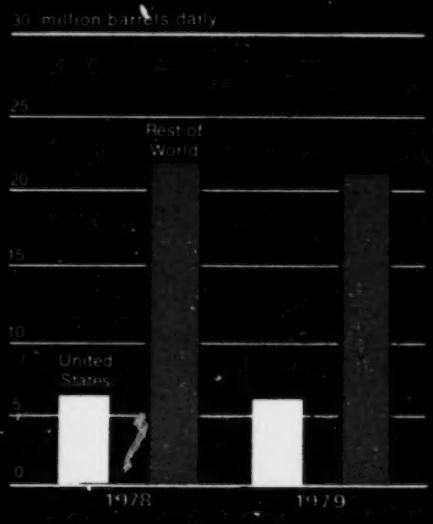
Source of Crude Oil

As recently as the early 1970s, the Group's operations accounted for approximately 80 percent of all crude oil production in the non-Communist world, including subsidiaries and affiliated companies. Except for royalty interests, the companies of the Group owned the oil they produced, and they disposed of it by input into their refineries or by sales to third-parties. Since then, however, a number of oil-producing countries have imposed some dramatic changes in crude oil ownership, either through participation in or outright nationalization of the producing assets. As a result, the Group's crude oil ownership position has been so vastly reduced that in 1979 they owned only 34 percent of the worldwide oil production outside the Communist bloc. Because that equity production is not sufficient to fulfill the Group's needs, much of the deficit is made up by acquiring government-owned crude oil. Consequently, the volumes of oil made available to the Group, as reported in this study, include the Group's equity production as well as those quantities acquired from the governments of oil-producing nations.

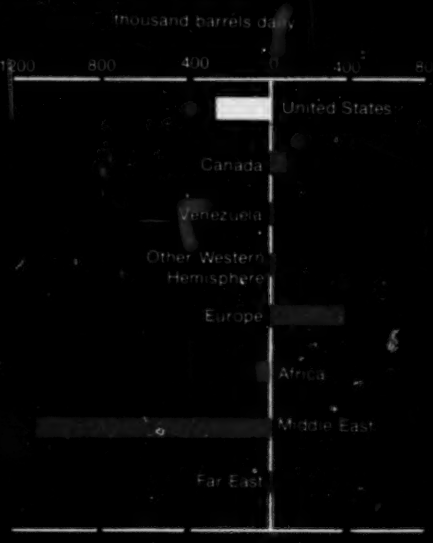
The total quantity of crude oil available to companies in the Group during 1979 was reduced from the prior year by 887 thousand barrels on an average daily basis to 27.5 million barrels per day. As a proportion of all the oil produced outside the Communist bloc, this volume represents approximately 56 percent, down significantly from nearly 61 percent in 1978.

The Middle East registered the largest decline in the Group's supply of crude oil, dropping by 1.1 million barrels a day, to 13.3 million daily. As a proportion of all the crude made available to the Group in 1979, the Middle East accounted for 48 percent, down from 51 percent a year earlier. That was the first time since 1972 that Middle East sources have provided less than half the Group's total crude supply. Another sizeable reduction occurred in the United States. Despite an increase in crude oil output from Alaska, the Group's total U.S. production was reduced from

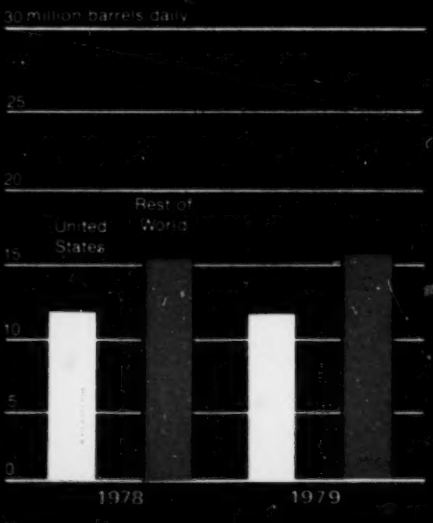
SOURCE OF CRUDE OIL . . .



CHANGE FROM 1978



REFINERY RUNS . . .



CHANGE FROM 1978

the 1978 level by 249 thousand barrels per day, to a daily average of 5.9 million barrels.

The only areas recording major gains in crude production during 1979 were Europe and Canada. Primarily as a result of increases in North Sea output, the Group's production in Europe rose to 1.6 million barrels a day, 395 thousand barrels per day more than the year before. In Canada, the quantity of crude produced rose by nearly 11 percent, to a level of more than 1.1 million barrels daily.

No significant changes in crude supply from 1978 levels were recorded by the Group in the remaining areas. The daily volumes from those areas in 1979 averaged 992 thousand barrels for Venezuela, 467 thousand for Other Western Hemisphere, 2.7 million for Africa, and 1.4 million for the Far East.

Crude Runs to Stills

The overall volume of crude oil processed by the Group in 1979 registered a minor gain of 90 thousand barrels per day, or three-tenths of 1 percent, over the year before. Averaging 27.5 million barrels daily, the Group's crude runs accounted for approximately 56 percent of all the oil refined in the non-Communist world, down slightly from 57 percent in 1978. The same two areas that recorded major gains in crude oil production in 1979, Europe and Canada, were also the only two areas to register sizeable increases in the Group's refinery throughput. In Europe, the quantity of oil processed rose on average by nearly one-half million barrels daily, to a level of 8.7 million per day. And in Canada, an increase of over 9 percent boosted refinery intake to 1.6 million barrels a day.

The largest decrease in crude oil input occurred in the United States, where volumes declined to 11.8 million barrels per day, an average daily reduction of 302 thousand barrels. That was the first time since 1974 that the Group's crude runs in the United States registered a year-to-year decline. The remaining areas together accounted for less than 20 percent of the Group's crude runs, and, although the percentage changes from 1978 were large in some cases, none of the volume changes for any of these areas exceeded 100 thousand barrels a day.

Revenue

In 1979, many of the oil-producing countries substantially increased the selling price of their crude oil, which, in turn, caused the price of petroleum products to rise dramatically. Consequently, significant changes from the preceding year were recorded in the Group's income statement.

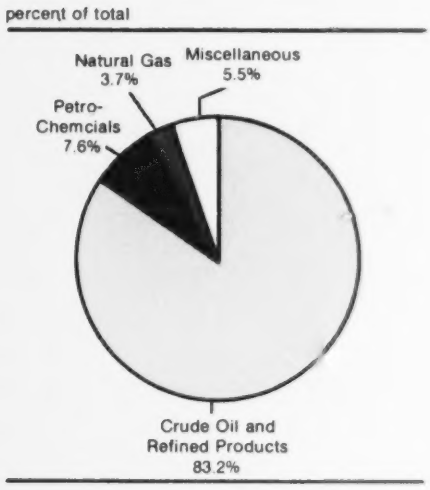
Gross operating revenue rose to $455 billion, an increase of one-third over the 1978 level of $341.1 billion. Gains were recorded in all revenue categories. Sales of crude oil and refined products increased by $91.6 billion, to $378.5 billion, or 83.2 percent of the operating revenue. Representing 7.6 percent of the total, the revenue from chemical products amounted to $34.8 billion, a gain of 42 percent over the prior year. Rising by $3.7 billion to $16.9 billion, proceeds from the sale of natural gas registered the lowest growth, and slipped from 3.9 percent to 3.7 percent of the total. Other miscellaneous operating activities generated proceeds of $24.9 billion, 50 percent more than in 1978.

In addition to the revenue from operations, the Group received $8.4 billion in non-operating revenue, principally from dividends, interest and equity in the earnings of affiliated companies. Together, operating and non-operating revenue in 1979 totaled $463.4 billion, $116.6 billion more than the previous year.

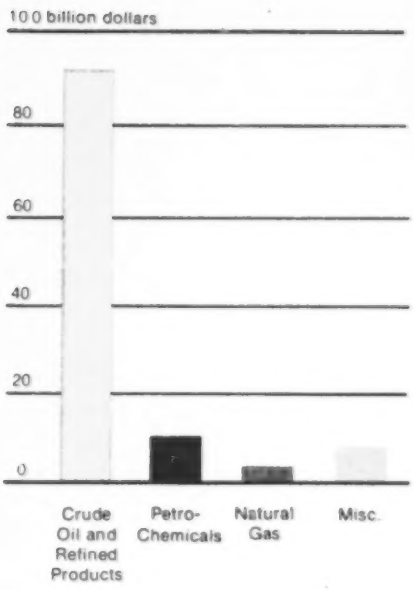
Charges Against Revenue

Along with the sizeable gain in revenue were significant increases in the expenses charged against revenue. Rising by $76.7 billion to a total of $347 billion, operating costs alone absorbed three-quarters of the total revenue. The higher cost of crude oil, resulting from the price increases imposed by oil-producing countries, was responsible for a major portion of the growth in operating costs.

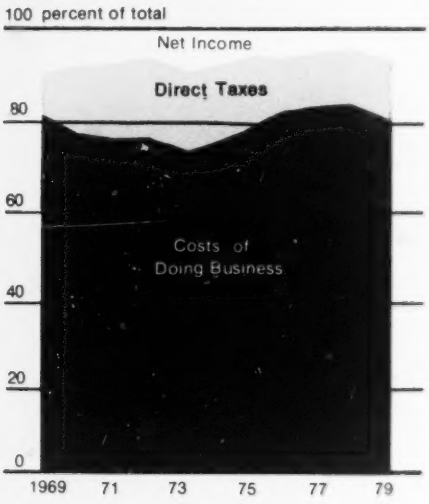
SOURCES OF REVENUE— 1979



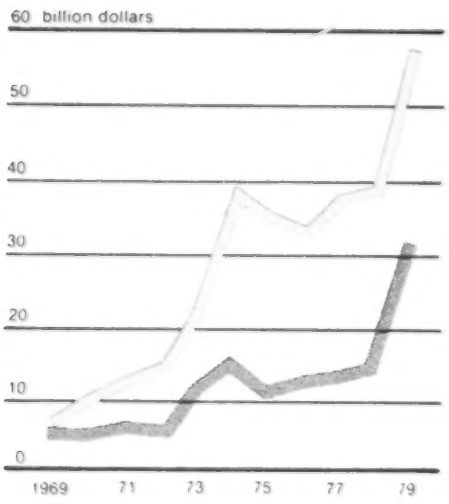
REVENUE INCREASES IN 1979



COSTS, DIRECT TAXES AND NET INCOME AS PERCENT OF GROSS OPERATING REVENUE



NET INCOME IN RELATION TO TAXES



Among the expenses charged against revenue, income taxes registered the largest percentage increase. The Group's income taxes surged by more than one-half, going from the 1978 level of $28 billion to $42.7 billion. Taxes other than income taxes also rose significantly, to $15.5 billion from $11.8 billion a year earlier. Altogether, the Group's tax bill in 1979 amounted to $58.2 billion, up by $18.4 billion over 1978. As a proportion of total revenue, income taxes represented 9.2 percent and taxes other than income 3.3 percent, for a total of 12.5 percent, one full percentage point higher than the previous year. The taxes reported in this study include only those taxes imposed directly on the Group. Therefore, sales and excise taxes that were collected by the Group for various government entities are omitted from both the revenue and the tax figures.

Reflecting the large outlays for capital investments, especially in more recent years, writeoffs pertaining to the recovery of capital, such as depreciation, depletion, and amortization, rose by $3.5 billion in 1979 to $19.1 billion.

The Group's interest expenses, which had been growing sharply at an average annual rate of 20 percent (from $2 billion in 1973 to more than $5 billion in 1978), slowed to an increase of only 5 percent or $252 million in 1979. This slowdown primarily reflects a more modest 4 percent growth in outstanding long-term debt from 1977 to 1979, compared to an average annual rate of 15 percent from 1973 to 1977.

Total deductions, which increased by $100.1 billion, to $432 billion, were 93.2 percent of total revenue.

Net Income

The Group's net income also rose considerably in 1979. Earnings more than doubled the $15 billion of a year earlier, rising to $31.4 billion. At that level, they represented 6.8 percent of total revenue, the highest proportion since 8.7 percent was achieved in 1973.

A comparison of the earnings within and outside the United States for both 1979 and 1978 is presented in the following table.

Net Income

	1979	1978	Change	
	Million Dollars		Mill.$	Percent
United States	12,758	8,336	+ 4,422	+ 53.0
Rest of World	18,720	6,681	+12,039	+180.2
Total:	31,478	15,017	+16,461	+109.6

As indicated in the table, most of the profit gain occurred outside the United States. Indeed, only 27 percent of the overall improvement in earnings was achieved in the United States. As a percent of the total, earnings in the United States accounted for 40.5 percent, down substantially from 55.5 percent in the previous year.

Contributing to the sharp improvement in 1979 earnings were several factors, not all of which affected each company. Some of the more prominent factors were:

a. Higher prices worldwide for crude oil, natural gas, and refined products.

b. An increase in the production of equity crude oil outside the United States.

c. The much higher crude oil prices dictated by the governments of many oil-producing nations, caused substantial inventory profits to occur, especially in countries where the retention of large inventories and use of the first-in, first-out method of accounting for those inventories is required.

d. Greatly improved results from chemical activities worldwide.

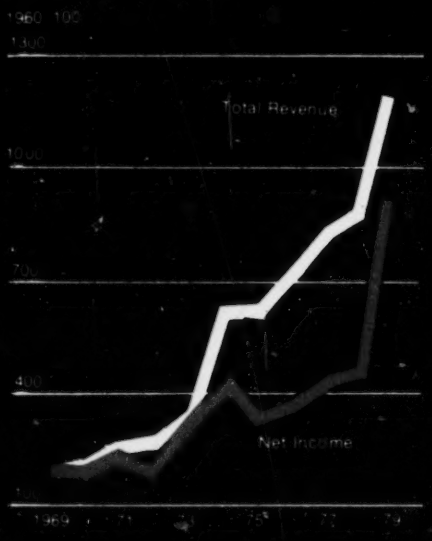
e. U.S. phased decontrol of oil and natural gas.

f. A larger proportion of newer higher priced crude oil was produced in the U.S. as older lower valued crude continued its natural decline.

g. More favorable effects of foreign exchange variations.

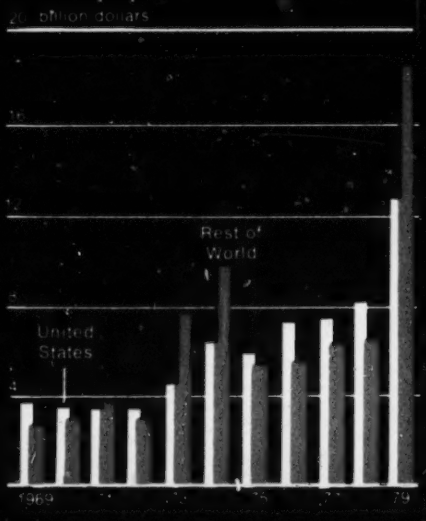
h. A beneficial change in the United Kingdom tax law.

NET INCOME RELATED
TO TOTAL REVENUE



NET INCOME AS A
PERCENT OF TOTAL REVENUE

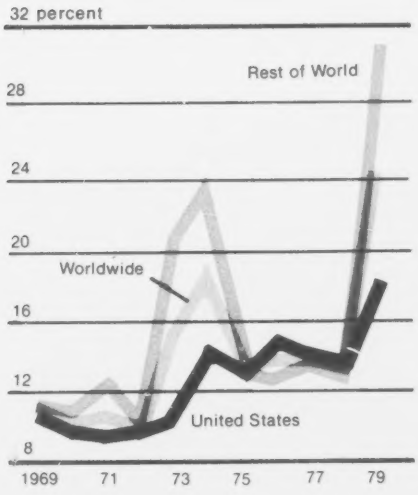
NET INCOME . . .



UNITED STATES AS A
PERCENT OF TOTAL

CASH EARNINGS COMPARED TO TOTAL FUNDS USED

RETURN ON AVERAGE INVESTED CAPITAL



Rate of Return

As a consequence of the large growth in earnings, the Group's rate of return on average invested capital rose to 24 percent on a worldwide basis, up significantly from 13.2 percent in 1978. Outside the United States, where 73 percent of the profit gain occurred, the improvement in the rate of return was even more dramatic, climbing to 30.8 percent from the 1978 level of 12.5 percent. In the United States, a more moderate increase in earnings raised the return from 13.8 percent a year ago to 18.2 percent for 1979.

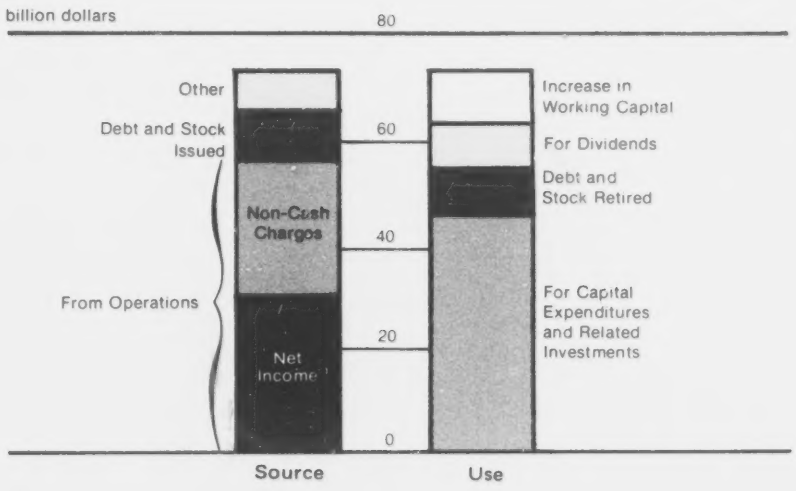
Undoubtedly, the rates of return realized by the Group in 1979 were exceptional. In addition to being extremely capital intensive, however, the petroleum industry is also subject to a high degree of risk. The investment of vast sums of money is required, particularly in the effort to discover and produce additional petroleum supplies. All too often those endeavors prove fruitless, and no petroleum is found. Therefore, because of the large magnitude of the risks involved, petroleum companies must achieve a commensurate return; otherwise, funds available from internal and external sources would be inadequate to make the needed investments.

Sources

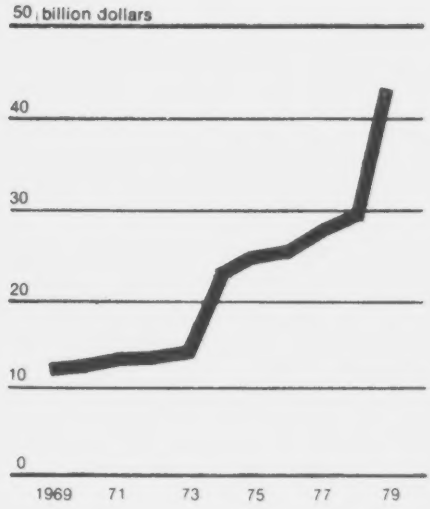
For purposes of new capital investment, repayment of debt, dividend distribution and expansion of working capital, the Group's sources of funds totaled $73.4 billion in 1979. That amount was nearly two-thirds higher than the sum available a year earlier. Because earnings during the year were significantly greater, the contribution from net income rose to 43 percent from around the 33 percent level of the past four years. Although higher in dollar terms, the funds from capital recovery provisions such as depreciation, depletion, and amortization declined to 26 percent of the total from 35 percent in 1978, principally because of the large increase in the net income contribution. Other miscellaneous non-cash charges supplied 9 percent, one full percentage point more than the year before. From internal sources, therefore, the Group generated 78 percent of the funds utilized in 1979, compared to 77 percent in the prior year.

Despite the sizeable improvement in earnings, the Group's reliance on the capital markets for funds increased considerably, by $3.5 billion, to $8.8 billion, nearly all of which was in the form of long-term debt. Another $7.2 bil-

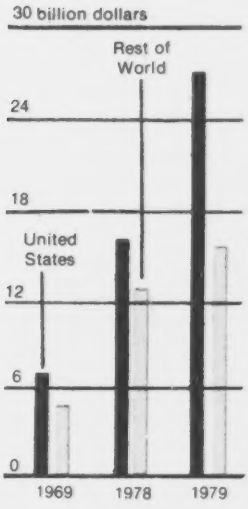
SOURCE AND USE OF FUNDS IN 1979



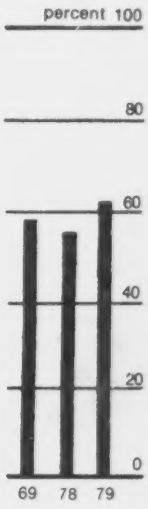
GROUP'S CAPITAL EXPENDITURES



UNITED STATES AND REST OF WORLD

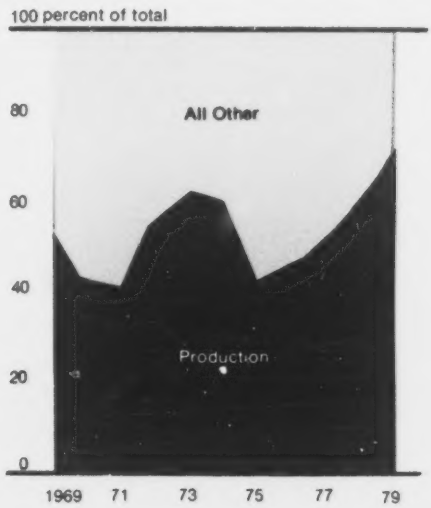


UNITED STATES SHARE



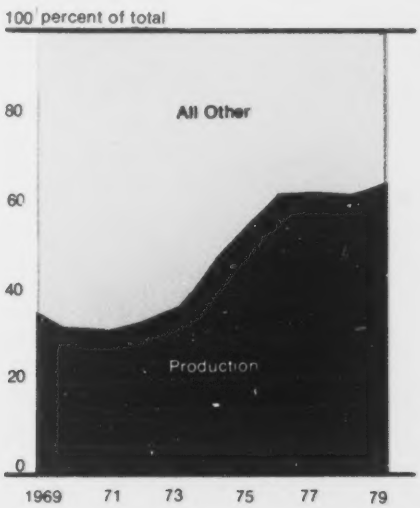
GROUP'S CAPITAL EXPENDITURES

United States



GROUP'S CAPITAL EXPENDITURES

Rest of World



lion was provided from various other transactions, including the sale of assets.

Uses

Capital Expenditures

An unprecedented increase in capital expenditures accompanied the exceptional gain in earnings. Rising from a level of $29.9 billion a year earlier, the Group's capital spending in 1979 soared to $43.8 billion and exceeded net income by more than $12 billion. During the year, a large amount of unflattering publicity was directed toward the petroleum companies because of the large growth in profits. Considerably less attention was given to announcements by many of the companies regarding significant increases in their previously budgeted capital investment programs for 1979. But the profit gain was the key factor that enabled the Group to undertake the large expansion in capital outlays.

Often overlooked is the heavy concentration of investments in the production segment, the finding and development of new sources of crude oil and natural gas. Of the total funds invested, more than two-thirds, or $29.8 billion, was devoted precisely for that purpose, some $11.2 billion more than was spent in 1978. This increase accounted for four-fifths of the entire increase in capital expenditures. Investments in the remaining major functional categories also grew, but not nearly as much as the production segment. Transportation outlays rose by $427 million, to $1.6 billion, despite a fractional drop in the pipeline portion. The investment in new processing facilities, refineries and chemical plants, was up nearly a billion dollars, to a total of $6.6 billion from $5.7 billion in 1978. For the third consecutive year, expenditures for marketing purposes registered a gain, increasing by $318 million, to $2.5 billion. In addition, the Group expended $3.3 billion for various other petroleum-related and non-petroleum activities that included coal, nuclear, oil shale and other miscellaneous business interests.

More than three-fifths of the Group's capital investment in 1979 and nearly three-quarters of the increase was concentrated in the United States, as revealed in the following table.

Worldwide Capital Expenditures

	1979	1978	Change	
	Million Dollars		Mill.$	Percent
United States	27,124	16,803	+10,321	+ 61.4
Rest of World	16,688	13,090	+ 3,598	+ 27.5
Total	43,812	29,893	+13,919	+ 46.6

Within the United States, 71 percent of total expenditures and 85 percent of the increase over 1978 was spent in production, for increasing U.S. crude oil and natural gas resources. Two-thirds of the Group's worldwide production outlays was in the U.S. The functional breakdown of U.S. expenditures is compared with the previous year in the following table.

United States Expenditures

	1979	1978	Change	
	Million Dollars		Mill.$	Percent
Production	19,157	10,353	+8,804	+85.0
Transportation	938	754	+ 184	+24.4
Refineries and Chemical Plants	3,941	3,395	+ 546	+16.1
Marketing	823	740	+ 83	+11.2
Other	2,265	1,561	+ 704	+45.1
Total	27,124	16,803	+10,321	+61.4

The increase in transportation outlays was related to marine and miscellaneous other transportation equipment, as pipelines were essentially unchanged from 1978. Next to production, the second largest investment category was for manufacturing facilities such as refineries and chemical plants, which represented approximately 15 percent of the total capital expended in the United States. Marketing expenditures, on the other hand, absorbed only 3 percent of the total.

Outside the United States, the Group's investment program was also heavily dominated by the production segment, as illustrated below.

Rest of World Expenditures

	1979	1978	Change	
	Million Dollars		Mill.$	Percent
Production	10,668	8,249	+2,419	+29.3
Transportation	625	382	+ 243	+63.6
Refineries and Chemical Plants	2,672	2,311	+ 361	+15.6
Marketing	1,692	1,457	+ 235	+16.1
Other	1,031	691	+ 340	+49.2
Total	16,688	13,090	+ 3,598	+27.5

The outlays for production represented 64 percent of the overall investment and two-thirds of the increase in the Group's expenditures outside the United States. Marine facilities accounted for 83 percent of the new investment in transportation. Expenditure increases were also registered in refining and chemical plants, marketing and other, but were somewhat less significant in dollar terms.

Dividends

The distribution of dividends to stockholders in 1979 rose by $1.3 billion to a total of $8 billion. Because the Group's earnings grew at a substantially higher rate than the dividend growth, dividends as a proportion of net income dropped a full 20 percentage points to 25 percent in 1979 from 45 percent a year ago.

Other Uses

The incurrence of greater debt obligations through borrowed capital, especially in more recent years, has invariably required larger debt repayments. In 1979, long-term debt repayments totaled $8 billion, compared to $6.7 billion in the prior year. In addition, $2.5 billion was applied to investments and advances to associated companies, and another $722 million was used for the retirement of stock. The funds remaining, $10.4 billion, represented a sizeable addition to working capital.

Working Capital

The $10.4 billion increase raised the Group's working capital to a level of $37.1 billion at year-end 1979, as shown below.

Working Capital

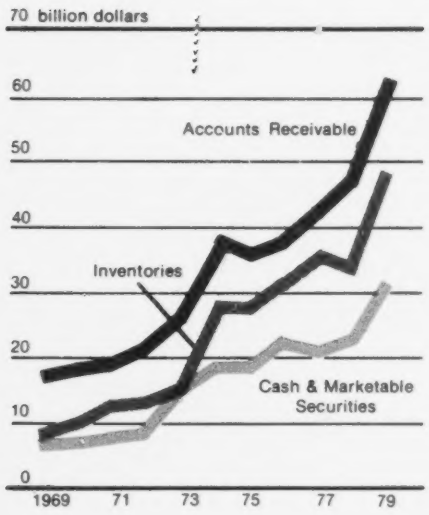
	Million Dollars		Change	
	12/31/79	12/31/78	Mill.$	Percent
Current Assets	144,764	107,416	+37,348	+34.8
Current Liabilities	107,618	80,691	+26,927	+33.4
Working Capital	37,146	26,725	+10,421	+39.0
Current Ratio	1.35	1.33	—	—

Current assets and current liabilities were both significantly affected by the substantial increases in crude oil and product prices during the year. The percentage changes, however, were about equal, so that the Group's current ratio changed only slightly.

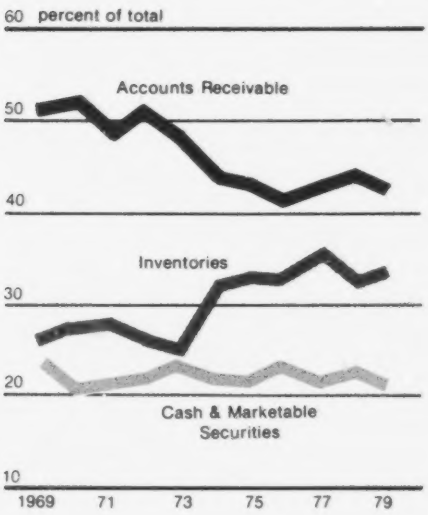
The components of current assets most affected were accounts receivable and inventories. Receivables climbed by $15.2 billion, to $62.6 billion, while inventories rose to $48.7 billion, $14.6 billion more than at the close of 1978. Together, these two items accounted for approximately four-fifths of the gain in current assets. The remaining $6.2 billion increase occurred in cash, up $2.3 billion, and in marketable securities, which was up $3.9 billion.

Within the current liabilities classification, the higher cost of crude oil was primarily reflected in the accounts payable portion. Totaling $64.4 billion at the end of 1979 compared to $49.7 billion a year earlier, accounts payable accounted for 55 percent of the total increase in current liabilities. Another 32 percent was attributed to the rise in taxes payable. The $8.6 billion increase in taxes payable, to $20.2 billion was essentially due to the Group's higher net income.

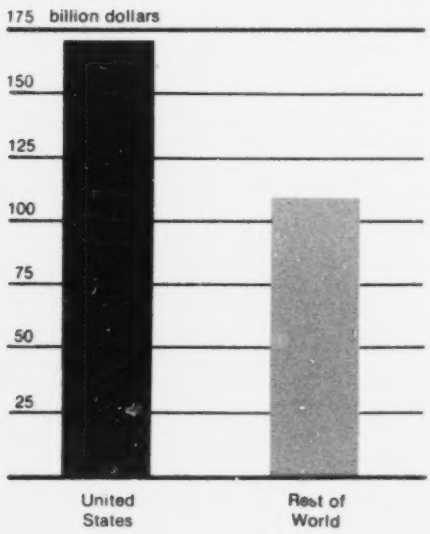
CURRENT ASSETS . . .



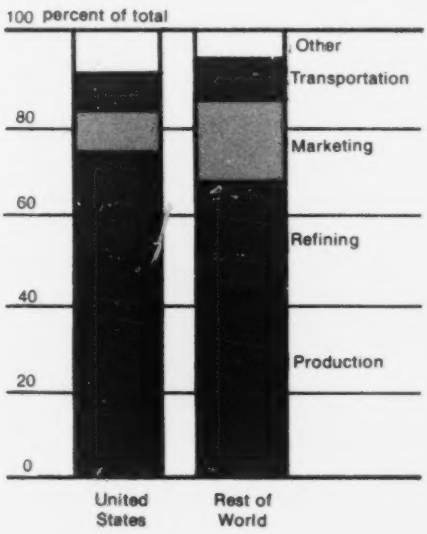
DISTRIBUTION OF CURRENT ASSETS



GROSS INVESTMENT IN FIXED ASSETS AT END OF 1979 . . .



BY DEPARTMENT



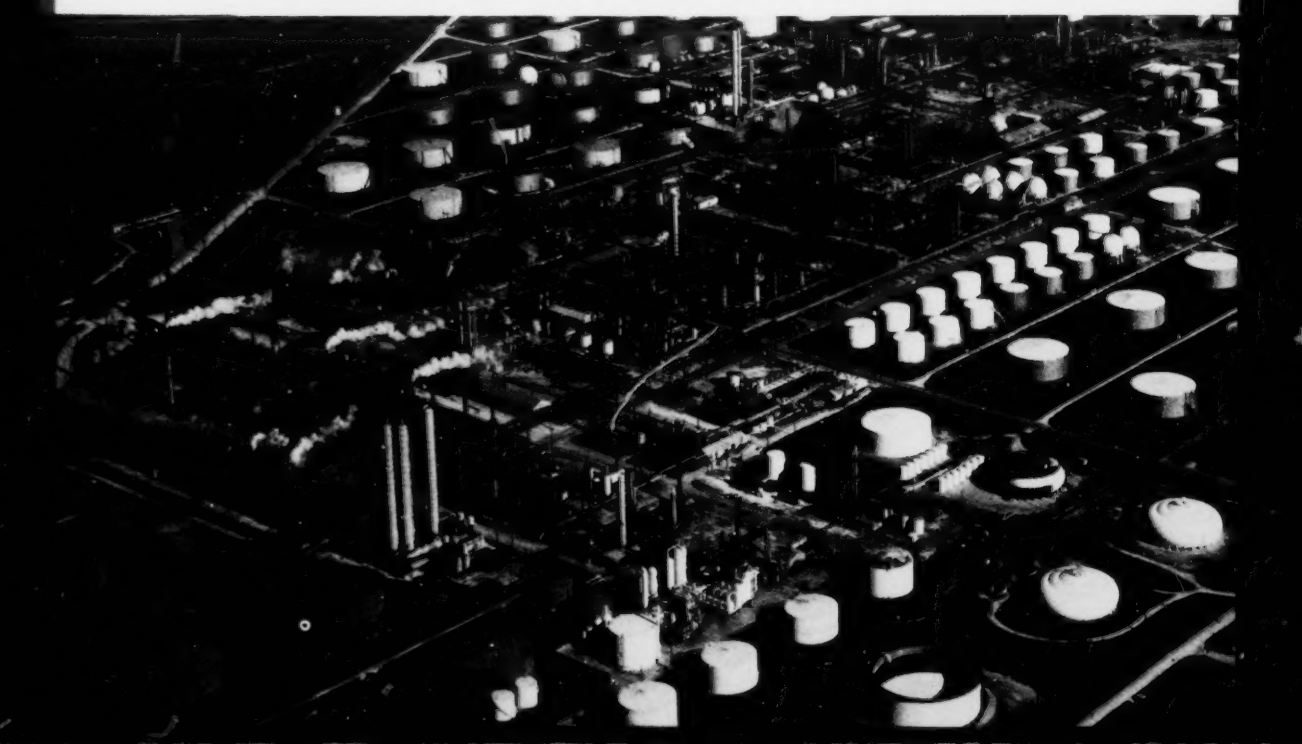
Capital Employed

Capital employed increased by $30.6 billion to $196.7 billion in 1979. Because the Group reinvested approximately three-quarters of its 1979 earnings, the invested capital (shareholder's equity) portion accounted for 83 percent of the $30.6 billion increase in capital employed. The balance was made up of long-term debt (9%) and minority interests (8%). Since the rate of increase in long-term debt was considerably lower than that of the total capital employed, the proportion of long-term debt to capital employed was reduced to 22.1 percent from 24.5 percent the year before. The following table contains a comparison of the changes in capital employed.

Capital Employed

	12/31/79	12/31/78	Change	
	Million Dollars		Mill.$	Percent
Long-Term Debt	43,397	40,645	+ 2,752	+ 6.8
Minority Interests	9,338	7,035	+ 2,303	+32.7
Invested Capital	143,923	118,420	+25,503	+21.5
Total Capital Employed	196,658	166,100	+30,558	+18.4

Production payments and long-term leases are not included in the Group's long-term debt. If they were, however, the proportion of debt to capital employed would increase from 22.1 to 28.9 percent.



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Photographs used in this study were furnished through the courtesy of Exxon Corporation.

SECTION ONE — HISTORICAL DATA

A Income Statement

	1968	1969	1970	1971
	Million Dollars			
Total Revenue	72,092	77,947	86,125	97,860
Deductions:				
Operating Costs and Other Expenses	52,316	56,784	62,615	70,690
Taxes Other Than Income Taxes	2,845	3,610	4,473	4,413
Write-offs	5,835	6,084	6,636	7,079
Income Taxes	4,432	4,767	5,763	8,409
Total Deductions	65,428	71,245	79,487	90,591
Net Income — Worldwide	6,664	6,702	6,638	7,269
United States	3,913	3,774	3,609	3,490
Rest of World	2,751	2,928	3,029	3,779

B Rates of Return *

Average Invested Capital — Worldwide	11.7	11.0	10.4	10.7
United States	12.3	10.9	9.9	9.3
Rest of World	11.0	11.2	11.0	12.5
Average Borrowed and Invested Capital	10.8	10.4	9.9	10.1
Average Total Assets	7.4	6.8	6.2	6.3
Average Gross Fixed Assets	15.9	15.1	15.4	17.4

*See page 28 for components included in rates of return calculations.

C Source and Use of Working Capital

Funds Available From:				
Cash Earnings (a)	13,102	13,482	13,823	14,775
Long-Term Debt and Stock Issued	4,245	3,801	4,571	5,163
Sale of Assets and Other Transactions	702	788	1,067	885
Total	18,049	18,071	19,461	20,823
Funds Used For:				
Capital Expenditures	11,314	11,560	12,025	12,921
Investments and Advances	887	1,289	804	992
Dividends	3,468	3,730	3,790	3,922
Long-Term Debt and Stock Retired	1,268	2,305	2,191	2,100
Total	16,937	18,884	18,810	19,935
Change in Working Capital	+1,112	- 813	+ 651	+ 888

(a) Represents Net Income, Writeoffs and Other Non-Cash Charges.

1972	1973	1974	1975	1976	1977	1978	1979
Million Dollars							
106,278	133,909	244,535	245,204	275,908	317,520	346,880	463,449
76,465	92,756	178,438	185,707	217,800	252,068	276,456	354,694
5,138	6,241	7,214	9,137	8,516	9,986	11,841	15,456
7,514	8,345	10,133	11,187	11,230	12,982	15,570	19,089
10,301	14,889	32,379	27,663	25,263	28,104	27,996	42,732
99,418	122,231	228,164	233,694	262,809	303,140	331,863	431,971
6,860	11,678	16,371	11,510	13,099	14,380	15,017	31,478
3,656	4,134	6,401	5,978	7,535	7,795	8,336	12,758
3,204	7,544	9,970	5,532	5,564	6,585	6,681	18,720
9.7	15.5	19.2	12.8	13.8	13.8	13.2	24.0
9.6	10.5	14.6	12.9	15.2	14.2	13.8	18.2
9.9	20.9	23.9	12.7	12.3	13.4	12.5	30.8
9.4	14.0	17.3	12.0	12.9	13.0	13.1	21.6
5.5	8.6	10.0	6.1	6.6	6.4	6.1	11.0
18.6	24.6	37.6	30.0	28.0	27.8	25.8	35.2
14,801	21,230	28,836	23,570	26,767	29,964	34,322	57,456
4,698	4,813	6,394	10,305	10,526	8,768	5,241	8,802
1,860	2,867	4,372	1,167	2,713	4,415	5,252	7,177
21,359	28,910	39,602	35,042	40,006	43,147	44,815	73,435
13,190	14,637	22,902	25,048	26,826	28,001	29,893	43,812
763	382	914	1,744	832	1,523	1,567	2,495
3,860	4,122	4,772	4,947	5,346	6,158	6,953	8,333
3,330	4,268	4,226	5,435	5,313	6,053	7,081	8,374
21,143	23,409	32,814	37,174	38,317	41,735	45,494	63,014
+ 216	+ 5,501	+ 6,788	- 2,132	+ 1,689	+ 1,412	- 679	+10,421

D Expenditures for Fixed Assets

	1968	1969	1970	1971
	Million Dollars			
United States:				
Crude Oil and Natural Gas (a)	3,736	3,399	2,821	2,510
Natural Gas Liquids Plants	205	198	189	156
Pipe Lines	158	146	292	275
Marine	33	96	79	97
Other Transportation	65	64	56	76
Refineries and Chemical Plants	1,346	1,368	1,509	1,430
Marketing	1,058	1,138	1,319	1,322
Other	316	338	372	399
Total	6,917	6,747	6,637	6,265
Rest of World:				
Crude Oil and Natural Gas (a)	1,438	1,633	1,578	1,917
Natural Gas Liquids Plants	181	147	187	175
Pipe Lines	86	65	53	151
Marine	426	513	502	735
Other Transportation	4	4	3	7
Refineries and Chemical Plants	1,216	1,340	1,673	2,180
Marketing	928	1,018	1,194	1,348
Other	118	93	198	143
Total	4,397	4,813	5,388	6,656

(a) Excludes exploration expenses and lease rentals charged to income account.

E Balance Sheet

Current Assets	31,690	33,506	36,501	39,586
Property, Plant and Equipment (Net)	57,275	62,179	66,703	71,740
Other Assets	9,201	10,943	11,763	13,573
Total Assets	98,166	106,628	114,967	124,899
Current Liabilities	18,486	21,115	23,459	25,656
Long-Term Debt	13,991	15,597	17,742	20,523
Other Liabilities	4,297	4,765	5,145	5,882
Minority Interests	2,554	2,689	2,845	2,941
Shareholders' Equity	58,838	62,462	65,776	69,897
Total Liabilities & Net Worth	98,166	106,628	114,967	124,899
Working Capital	13,204	12,391	13,042	13,930
Current Ratio	1.7	1.6	1.6	1.5
Debt to Total Capital Employed (percent)	18.6	19.3	20.5	22.0

1972	1973	1974	1975	1976	1977	1978	1979
			Million Dollars				
3,842	4,729	8,142	6,205	7,708	8,762	10,066	18,799
115	120	183	243	251	238	287	358
193	240	1,282	3,300	3,327	1,537	338	337
58	86	73	144	190	444	182	285
53	63	74	85	148	128	234	316
1,212	1,269	2,382	3,014	3,659	3,328	3,395	3,941
1,001	744	541	574	512	650	740	823
337	350	733	845	869	1,534	1,561	2,265
6,811	7,601	13,410	14,410	16,664	16,621	16,803	27,124
2,088	2,564	4,576	5,957	6,265	6,955	8,012	10,597
114	76	139	132	196	304	237	71
118	90	85	73	22	48	48	27
826	1,463	1,672	1,319	883	679	319	519
6	9	13	25	8	5	15	79
1,819	1,573	1,895	1,957	1,646	1,864	2,311	2,672
1,222	1,079	947	891	921	1,106	1,457	1,692
186	182	165	284	221	439	691	1,031
6,379	7,036	9,492	10,638	10,162	11,380	13,090	16,688
42,686	56,149	86,889	84,361	92,598	99,149	107,416	144,764
75,097	79,613	91,169	99,027	110,493	128,555	147,147	173,646
14,400	14,654	15,189	18,178	19,056	21,044	20,727	22,127
132,183	150,416	193,247	201,566	222,147	248,748	275,290	340,537
28,540	36,502	60,454	60,058	66,606	71,745	80,691	107,618
21,858	22,727	25,591	30,645	36,249	39,914	40,645	43,397
6,998	8,532	11,394	13,989	16,671	22,414	28,499	36,261
3,031	3,274	4,068	3,701	3,916	4,676	7,035	9,338
71,756	79,381	91,740	93,173	98,705	109,999	118,420	143,923
132,183	150,416	193,247	201,566	222,147	248,748	275,290	340,537
14,146	19,647	26,435	24,303	25,992	27,404	26,725	37,146
1.5	1.5	1.4	1.4	1.4	1.4	1.3	1.4
22.6	21.6	21.1	24.0	26.1	25.8	24.5	22.1

SECTION TWO — CURRENT DATA

1 Source of Crude Oil

	1979	1978	Change TBD	Change Percent
	Thousand Barrels Per Day			
United States	5,944	6,193	— 249	— 4.0
Canada	1,145	1,033	+ 112	+ 10.8
Venezuela	992	986	+ 6	+ 0.6
Other Western Hemisphere	467	440	+ 27	+ 6.1
Western Hemisphere	8,548	8,652	— 104	— 1.2
Europe	1,627	1,232	+ 395	+ 32.1
Africa	2,671	2,733	— 62	— 2.3
Middle East	13,256	14,374	—1118	— 7.8
Far East	1,433	1,431	+ 2	+ 0.1
Eastern Hemisphere	18,987	19,770	— 783	— 4.0
Total World-wide (a)	27,535	28,422	— 887	— 3.1

Note: The above figures include 100% of operations of companies and consolidated subsidiaries and equity in foreign operations of non-consolidated affiliates based on percentage of stock ownership, plus purchases from governments.

(a) Figures expressed in million barrels are as follows:

	1979	1978
United States	2,169	2,260
Other Countries	7,881	8,114
Total	10,050	10,374

2 Crude Runs To Stills

	1979	1978	Change TBD	Change Percent
	Thousand Barrels Per Day			
United States	11,847	12,149	—302	— 2.5
Canada	1,621	1,486	+135	+ 9.1
Venezuela	0	0	0	0.0
Other Western Hemisphere	1,639	1,727	— 88	— 5.1
Western Hemisphere	15,107	15,362	—255	— 1.7
Europe	8,703	8,234	+469	+ 5.7
Africa	307	383	— 76	— 19.8
Middle East	468	552	— 84	— 15.2
Far East	2,896	2,860	+ 36	+ 1.3
Eastern Hemisphere	12,374	12,029	+345	+ 2.9
Total World-wide (a)	27,481	27,391	+ 90	+ 0.3

Note: The above figures include 100% of operations of companies and consolidated subsidiaries and equity in foreign operations of non-consolidated affiliates based on percentage of stock ownership.

(a) Figures expressed in million barrels are as follows:

	1979	1978
United States	4,325	4,434
Other Countries	5,706	5,564
Total	10,031	9,998

3 Income Statement

	1979	1978	Percent Change
	Million Dollars		
Gross Operating Revenue	455,023	341,087	+ 33.4
Non-Operating Revenue	8,426	5,793	+ 45.5
Total Revenue	463,449	346,880	+ 33.6
Operating Costs and Expenses	347,003	270,317	+ 28.4
Taxes Other than Income Taxes (a)	15,456	11,841	+ 30.5
Write-offs	19,089	15,570	+ 22.6
Interest Expense	5,326	5,074	+ 5.0
Other Charges	30	101	− 70.3
Total Deductions	386,904	302,903	+ 27.7
Net Income before Income Taxes	76,545	43,977	+ 74.1
Estimated Income Taxes	42,732	27,996	+ 52.6
Income Applicable to Minority Interests	2,335	964	+ 142.2
Net Income (b) (c)	31,478	15,017	+ 109.6

(a) Excludes $48,832 million in 1979 and $40,163 million in 1978 representing sales and excise taxes on gasoline and other refined products, which are collected from customers and accounted for to United States federal, state and city authorities, and to other governments. Such taxes are deducted before arriving at gross operating revenue.

(b) Excludes $316 million of extraordinary profit in 1979 and $212 million in 1978.

(c) Includes earnings from operations outside U.S.: 1979 — $18,720 million and 1978 — $6,681 million.

4 Distribution of Total Revenue Dollar

	1979	1978
	Cents	
Operating Costs and Expenses	74.9	77.9
Write-offs	4.1	4.5
Interest	1.1	1.5
All Taxes	12.6	11.5
Income Applicable to Minority Interests	0.5	0.3
Dividends to Stockholders	1.7	1.9
Reinvested in Business	5.1	2.4
Total Revenue	100.0	100.0

SECTION TWO — CURRENT DATA

5 Rates of Return

	1979	1978
	Million Dollars	
Average Borrowed and Invested Capital (a)	181,202	160,512
Earnings (b)	39,139	21,055
Return	21.6%	13.1%
Average Invested Capital (c)	130,986	113,988
Earnings (d)	31,478	15,017
Return	24.0%	13.2%
Average Total Assets	308,095	263,685
Earnings (e)	33,813	15,981
Return	11.0%	6.1%
Average Gross Fixed Assets	263,122	228,727
Gross Operating Profit (f)	92,564	58,929
Return	35.2%	25.8%

(a) Includes long-term debt, preferred stock, common stock, surplus and equity of minority interests.

(b) Represents net income plus interest charges and income applicable to minority interests.

(c) Includes preferred stock, common stock and surplus.

(d) Represents net income.

(e) Represents net income plus income applicable to minority interests.

(f) Represents gross operating revenue less operating costs and expenses and taxes — other than income taxes.

6 Source and Use of Working Capital Year 1979

	Million Dollars	Percent Distribution
Funds Available From:		
Cash Earnings (a)	57,456	78.2
Long-Term Debt Issued	8,697	11.8
Preferred and Common Stock Issued	105	0.2
Sales of Assets and Other Transactions	7,177	9.8
Total	73,435	100.0
Funds Used For:		
Capital Expenditures	43,812	59.6
Investments and Advances	2,495	3.4
Dividends to Companies' Shareholders	7,989	10.9
Dividends to Minority Interests	344	0.5
Long-Term Debt Repaid	7,652	10.4
Preferred and Common Stock Retired	722	1.0
Total	63,014	85.8
Change in Working Capital	+10,421	+14.2

(a) Represents:

	Million Dollars
Net Income	31,478
Write-offs	19,089
Other Non-Cash Charges (net)	6,889
Cash Earnings	57,456

7 Expenditures for Fixed Assets Year 1979

By Function —	United States	Other Countries	Combined
	Million Dollars		
Production:			
Crude Oil and Natural Gas (a)	18,799	10,597	29,396
Natural Gas Liquids Plants	358	71	429
Total	19,157	10,668	29,825
Transportation:			
Pipe Lines	337	27	364
Marine	285	519	804
Other	316	79	395
Total	938	625	1,563
Refineries and Chemical Plants	3,941	2,672	6,613
Marketing	823	1,692	2,515
Others	2,265	1,031	3,296
Total	27,124	16,688	43,812

(a) Excludes exploration expenses and lease rentals charged to income account.

By Area —	1979	1978	1977	1976
	Million Dollars			
United States	27,124	16,803	16,621	16,664
Canada	3,341	2,386	2,314	1,830
Venezuela	0	0	10	6
Other Western Hemisphere	618	734	488	525
Western Hemisphere	31,083	19,923	19,433	19,025
Europe	8,843	7,191	6,495	5,732
Africa	1,416	1,122	885	842
Middle East	724	428	295	377
Far East	1,746	1,229	893	850
Eastern Hemisphere	12,729	9,970	8,568	7,801
Total	43,812	29,893	28,001	26,826

8 Capital and Exploration Expenditures Year 1979

	United States	Other Countries	Combined
	Million Dollars		
Production Expenditures*	17,417	9,391	26,808
Dry Holes	1,382	1,206	2,588
Total	18,799	10,597	29,396
Geological and Geophysical Expenses and Lease Rentals	1,817	1,196	3,013
Total Production and Exploration Cost.	20,616	11,793	32,409
Other Capital Expenditures	8,325	6,091	14,416
Other Mining Expenses	193	125	318
Capital and Exploration Expenditures	29,134	18,009	47,143

*Excludes expenditures for Natural Gasoline Plants.

SECTION TWO — CURRENT DATA

9 Balance Sheet

Assets	12/31/79	12/31/78	12/31/79	12/31/78
	Million Dollars		Percent Distribution	
Current Assets	144,764	107,416	42.5	39.0
Investments and Advances	15,765	15,199	4.6	5.5
Property, Plant and Equipment (a)	173,646	147,147	51.0	53.5
Other Assets	6,362	5,528	1.9	2.0
Total Assets	340,537	275,290	100.0	100.0
Liabilities and Net Worth				
Current Liabilities	107,618	80,691	31.6	29.3
Long-Term Debt	43,397	40,645	12.8	14.8
Deferred Credits	24,934	18,029	7.3	6.5
Other Reserves	11,327	10,470	3.3	3.8
Minority Interests	9,338	7,035	2.7	2.6
Net Worth:				
Preferred Stock	220	234	0.1	0.0
Common Stock	12,526	12,617	3.7	4.6
Capital Surplus	10,500	9,807	3.1	3.6
Earnings Reinvested in Business	120,677	95,762	35.4	34.8
Shareholders' Equity	143,923	118,420	42.3	43.0
Total Liabilities and Net Worth	340,537	275,290	100.0	100.0

(a) After deducting accumulated reserves of $108,624 million in 1979 and $94,355 million in 1978.

10 Earnings Reinvested and Employed

	Million Dollars
Balance at December 31, 1978	95,762
Add: Net Income	31,478
	127,240
Less: Cash Dividends	7,989
Stock Dividends	27
Other Charges	−1,453
Balance at December 31, 1979	120,677

11 Net Assets Year 1979

	United States	Other Countries	Combined
	Million Dollars		
Working Capital	20,073	17,073	37,146
Investments and Advances	3,673	12,092	15,765
Property, Plant and Equipment (a)	104,100	69,546	173,646
Other Assets	3,501	2,861	6,362
	131,347	101,572	232,919
Less: Long-Term Debt	28,744	14,653	43,397
Other Reserves and Credits	19,336	16,925	36,261
Minority Interests	5,062	4,276	9,338
Preferred Stock	163	57	220
Total Net Assets	78,042	65,661 (b)	143,703
Percent Distribution	54.3	45.7	100.0

(a) After deducting accumulated reserves of $67,789 million for United States facilities and $40,835 million for facilities of other countries.

(b) Distribution by areas:

	Million Dollars	Percent of Total
Western Hemisphere	16,473	25.1
Eastern Hemisphere	49,188	74.9
Total	65,661	100.0

12 Working Capital

	12/31/79	12/31/78	Change	12/31/79 Percent Distribution	12/31/78 Percent Distribution
	Million Dollars				
Cash	15,848	13,552	+ 2,296	10.9	12.6
Marketable Securities	14,886	10,960	+ 3,926	10.3	10.2
Accounts and Notes Receivable (net)	62,619	47,461	+15,158	43.3	44.2
Inventories:					
Crude Oil, Refined Products and Other Merchandise	44,191	30,353	+13,838	30.5	28.3
Materials and Supplies	4,551	3,769	+ 782	3.2	3.5
All Other	2,669	1,321	+ 1,348	1.8	1.2
Total Current Assets	144,764	107,416	+37,348	100.0	100.0
Accounts Payable	64,354	49,683	+14,671	59.8	61.6
Notes and Loans Payable	12,690	11,100	+ 1,590	11.8	13.7
Income and Other Taxes	20,218	11,623	+ 8,595	18.8	14.4
All Other	10,356	8,285	+ 2,071	9.6	10.3
Total Current Liabilities	107,618	80,691	+26,927	100.0	100.0
Working Capital	37,146	26,725	+10,421	—	—
Ratio of C.A. to C.L.	1.35	1.33	—	—	—

SECTION TWO — CURRENT DATA

13 Investment in Fixed Assets December 31, 1979

By Function —	Gross			Net		
	United States	Other Countries	Combined	United States	Other Countries	Combined
	Million Dollars			Million Dollars		
Production:						
Crude Oil and Natural Gas	86,240	43,654	129,894	48,811	31,320	80,131
Natural Gas Liquids Plants	3,797	2,098	5,895	1,786	1,327	3,113
Total	90,037	45,752	135,789	50,597	32,647	83,244
Transportation:						
Pipe Lines	12,915	830	13,745	9,968	448	10,416
Marine	2,407	11,159	13,566	1,591	7,267	8,858
Other	2,403	294	2,697	1,369	169	1,538
Total	17,725	12,283	30,008	12,928	7,884	20,812
Refineries and Chemical Plants	39,028	30,016	69,044	23,641	16,214	39,855
Marketing	12,748	17,968	30,716	7,801	9,737	17,538
Others	12,351	4,362	16,713	9,133	3,064	12,197
Total	171,889	110,381	282,270	104,100	69,546	173,646

By Area —	12/31/79		12/31/78	
	Gross	Net	Gross	Net
	Million Dollars		Million Dollars	
United States	171,889	104,100	145,859	86,883
Canada	19,010	12,688	16,476	10,728
Venezuela	11	2	11	3
Other Western Hemisphere	5,542	2,864	5,621	3,009
Western Hemisphere	196,452	119,654	167,967	100,623
Europe	66,994	42,863	57,721	37,434
Africa	6,725	3,931	5,679	3,482
Middle East	2,329	1,118	2,418	1,137
Far East	9,770	6,080	7,717	4,471
Eastern Hemisphere	85,818	53,992	73,535	46,524
Total	282,270	173,646	241,502	147,147

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